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MONTHLY REVIEW

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GLOBALIZING THE ECONOMY

Michael Tanzer

COMPUTERS & CAPITALISM: A TRAGIC MISUSE OF TECHNOLOGY

Nicholas Baran

THE THIRD SECTOR AS A PROTECTIVE LAYER FOR CAPITALISM

Joan Roelofs

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NOTES FROM THE EDITORS

As of late July the situation in Bosnia seems to be getting increasingly complicated and dangerous, not only for those immediately involved. The First World War resulted from a chain reaction that was touched off by an assasination in Sarajevo, the capital of Bosnia. The international situation today is of course vastly different, but the potential for deadly chain reactions is still there. Indeed, the disintegration of Yugoslavia, which began five years ago after the collapse of the Soviet Union, is itself a prime example of the chain-reaction phenomenon, and the present crisis in Bosnia is best understood as its last phase.

Some reactions fizzle out for lack of additional links in the chain. Is the Yugoslav case likely to be of this kind? To judge from its course up to now, the answer has to be no. Potential further links abound—locally, regionally, and even globally. The process cannot be counted on to fizzle out. If it is not to lead to more horrors and catastrophes—as the 1914 assasination did—it will have to be stopped.

(Continued on inside back cover)

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SOCIAL STUDIES

AUG 15 1996

GLOBALIZING THE ECONOMY: THE INFLUENCE OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK

by MICHAEL TANZER

In this talk I want to focus on three issues. The first is the relationship between globalization and the nation state. The second is the relationship between the nation states of the world on the one hand and the IMF and World Bank on the other. The third is the historical context of globalization, and in particular its development within a long period of economic stagnation.

To begin, globalization as commonly discussed refers to the explosive growth in the past twenty to twenty-five years of huge multinational corporations and vast pools of capital that have crossed national borders and penetrated everywhere. This globalization, in turn, is seen as largely the result of a parallel technological explosion in computerization, telecommunications, and rapid transportation. Now, while the facts of an accelerated internationalization of capital and technology are not in dispute, I want to start by taking issue with the conventional wisdom that these multinational corporations have become so large and powerful that they are fundamentally more powerful than national governments, and as such are independent of them.

Michael Tanzer, a frequent contributor to *Monthly Review*, is an economic consultant living in New York. This article is based on a lecture presented at the Five Towns Forum on Long Island, New York on May 12, 1995.

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Interestingly, this is not a new idea, and in fact predates the period of the last twenty years conventionally described as one of "globalization." Thus, back in 1974, Richard Barnet and Ronald E. Muller in their book *Global Reach: The Power of the Multinational Corporations* were already saying: "If we compare the annual sales of corporations with the gross national product of countries for 1973, we discover that GM is bigger than Switzerland, Pakistan, and South Africa; that Royal Dutch Shell is bigger than Iran, Venezuela, and Turkey; and that Goodyear Tire is bigger than Saudi Arabia."[1] Moreover, the authors were citing a 1967 research report of a corporate consulting firm warning that "the nation state is becoming obsolete: tomorrow.... it will in any meaningful sense be dead."[2]

Today, however, in addition to the relative "size" of companies versus countries, the emphasis is on trends like the rapid flight of capital from countries such as Mexico which forces national governments to bow to the will of companies, or the jumping of companies from the United States to Hong Kong and then to Mexico or Haiti. These facts are pointed to as examples both of increasing globalization and of the impotence of national governments to stop it. In the words of Barnet's latest book, *Global Dreams: Imperial Corporations and the New World Order* "the balance of power in world politics has shifted in recent years from territorially bound governments to governments that can roam the world."[3]

Without denying the validity of some of these factual observations, I want to argue that there is a basic fallacy in the interpretation of these events, insofar as the conclusion is that there is a divorce of capital and multinational corporations from states or governments. While it is true that Exxon, Bayer, and Toyota sell and invest all over the world and that their primary goal is to make money for their shareholders, this does not make each of them independent of its home country, by which I mean the country in which it is headquartered and in which the great majority of its capital stock is owned. The reason for my conclusion is that today, as throughout history,

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the power of the state has always been important to companies seeking to sell and invest internationally. This is true whether or not state power is used to pressure other countries to reduce barriers to the companies' exports or investments.

This crucial role of state power, whether it be military, political, diplomatic, or economic, is perhaps clearest in natural resource sectors like oil. Here the historic rivalries among the United States, Britain, France, Germany, Italy, and Japan for control of this crucial industry have in the last analysis been settled by the ultimate test of state power—war-making ability. Thus, it is thanks to United States and British victories in two world wars that the names of companies like Exxon, Mobil, British Petroleum and Shell are household words, while Veba and Nippon Petroleum Refining, leading national companies in Germany and Japan, are known only to specialists. While oil is a dramatic example, I would argue that in every industry where companies are struggling for markets or investment opportunities, be it in Mexico, Thailand, or Saudi Arabia, the national identity of the company can be a very important factor in its success or failure.

Moreover, the other side of the coin is that even if the company doesn't give a hoot about the impact of its actions on its own country—which, by the way, is much more true in the United States than in Japan or Germany, where the links between the corporate world and state bureaucracies are much closer—the government of the home country almost always cares. Thus it is in the interest of each country's government that one or more of its national companies control important natural resources like oil or key technology like computers. This is true for a variety of reasons, including the profits that will accrue to the nation's shareholders as well as the national security and independence that come from their controlling the resources themselves.

Another reason is that a government has much more control over companies owned by its own citizens than it does over foreign companies, and can force them to do things it wants much more easily. For example, to take a recent case, a

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U.S. company, Continental Oil, was blocked by the U.S. government from helping to develop Iran's oil fields while European and Japanese companies were able to resist United States pressure.

One key point to bear in mind is that the significance of the state-company linkage is greatest in an era of strong rivalries among companies. Such rivalries are fiercest when overall economic growth is slow or nonexistent. Conversely, when economic growth is rapid and there is plenty of business for all competitors, or when the companies of one country are so dominant that there are no effective foreign rivals, then the state-company nexus is less important. The fact that we are now in a slow-growth or stagnant era, with fierce and growing economic rivalries, means that the state-company linkage is more important than ever. So, I conclude that the conventional view that globalization has made the nation state irrelevant is particularly wrong today.

Since an awareness of the historical time period we are dealing with is vital to understanding the role of the World Bank and the International Monetary Fund in the global economy, I need to say a few words about it. The history of these two institutions dates back fifty years to the end of the Second World War, and particularly to the years after 1950, when the reconstruction of Europe was complete.

In this postwar period, a crucial distinction has to be made between an earlier phase of strong economic growth, roughly 1950-1973, and a later phase of relatively slow growth or economic stagnation, 1973 to date. Two numbers sum up the difference between the two periods: for the industrial countries as a whole, the average annual growth rate in total output was 4.4 percent for 1950-1973 and has been only 2.4 percent since 1973. And, not unrelated, as we shall see, the earlier period was one of unilateral United States dominance of the world economy while the present period is one of tri-polar rivalry among the United States, Germany, and Japan.

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What has caused this shift from a high-growth economy to a low-growth economy? In the United States, which emerged from the Second World War as the dominant world economy and as the locomotive of economic growth, there was tremendous pent up demand for both consumer and investment goods and a huge pile of savings to turn these needs into effective demand. So, in this 1950-1973 period, there was an explosion in the production of television sets, automobiles, and new housing for a public whose needs had been thwarted by depression and war. The growth of the 1950s and much of the 1960s was led by suburbanization and by the vast housing boom, highway construction, and expansion in the automobile industry that went with it. Along with the demand for single-family houses in the suburbs went the need for all kinds of commodities, from furniture to swimming pools, and for public infrastructure like schools, roads, and utilities. In addition, the Korean war of 1950-1953 gave the United States economy another boost just when it was starting to have a cyclical decline. And the almost steady growth of military expenditures during the following years, accelerated by the Vietnam war, became another pillar of economic growth. Finally, as first Europe and then Japan began to recover from the war and grow rapidly, this added to the industrial countries' collective growth.

But at some point in the late 1960s the forces of stagnation began to set in. A number of factors seem to have been involved. First, beginning in the United States and coming later in Europe, there was a relative saturation of the demand from private consumers. Second, whereas the boom period was a sellers' market for the United States, by 1970 competition from Europe and Japan was becoming stronger. And because of these two factors, the high profit rates of the previous years were beginning to weaken. Most importantly, there were no major technological innovations to replace the auto, highway, and housing investment complex as a stimulus for growth. As a result, the 1970s and 1980s were marked by an enormous growth in financial investment and transactions

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of a speculative nature. Whereas in the mid-1960s bank lending across national borders accounted for only about 1 percent of the GDP of the market economies, by the mid-1980s it reached 20 percent of the much higher levels of GDP.[4] As Barnet points out in his 1994 book:

> The Global Financial Network is a constantly changing maze of currency transactions, global securities, Mastercards, euroyen, swaps, ruffs, and an ever more innovative array of speculative devices for repackaging and reselling money. This network is much closer to a chain of gambling casinos than to the dull gray banks of yesteryear. Twenty-four hours a day, trillions of dollars flow through the world's foreign exchange markets. . . . No more than 10 percent of this staggering sum has anything to do with trade in goods and services.[5]

At the same time, the Reagan-Thatcher years of deregulation and privatization were accompanied by a tilt in government tax and expenditure policy that shifted income and wealth sharply toward the rich. The result of the shift has been a weakened demand for real goods and services. Moreover, with the end of the Cold War, the mainstay of the U.S. economy in the 1980s—military expenditures—no longer has much justification; even though the military budget remains near Cold War levels, it is difficult to make a case for pursuing a policy of pump priming through "military Keynesianism."

Finally, I want to stress that the globalization process focused on by the conventional wisdom took place precisely in the post-1973 era of stagnation, and in my view was largely a response to the end of the boom period. Thus, the overaccumulation of productive capital by the end of the boom period (the other side of the coin of underconsumption) meant increased competition, which put pressure on profits. This, in turn, put pressure on companies to expand abroad and led to increased financial investment and speculation. These developments in turn were, in my view, facilitated rather than caused by the technological improvements of the post-1973 era in computers, communications, transport, etc.

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Now we come to the question of where the IMF and the World Bank fit into this globalization process. Both institutions were conceived at the 1944 Bretton Woods conference, and ultimately reflected the interests of the world's overwhelmingly dominant power at that time—the United States. The United States had seen itself adversely affected in the Great Depression by its industrial rivals' defensive restriction of currency, trade, and capital in their colonies and spheres of influence. Therefore, the United States wanted a postwar era based on its traditional "open-door" policy, with the goal being abolition of virtually all restrictions on international currency flows in order to create the maximum opportunity for trade and investment. The IMF and the Bank were thus conceived as twin institutions working together but specializing in different aspects of achieving this goal.

The IMF's job was to help insure that in periods of economic downturn, nations did not try, as in the 1930s, to solve their problems by beggar-thy-neighbor policies—for example, by trying to increase their exports and reduce their imports through exchange and trade restrictions and competitive devaluations of their currencies. Thus, the IMF's goal was that nations facing external balance of payments difficulties would take internal steps to improve their competitive position, such as reducing production costs by cutting wages or government expenditures. They would not take steps negatively affecting other countries, like currency restrictions or devaluations.

The carrot for joining the IMF was that in the event a country found itself with balance of payments difficulties, it could obtain short-term loans from the Fund to give it breathing space to make the fundamental adjustments necessary for correcting the difficulties. The downside of membership was the stick that, as a condition of getting Fund loans, the government might have to take all kinds of measures that hurt the mass of people—cutting wages, ending subsidies, privatizating, and opening up to foreign investment. These were extremely unpopular.

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The voting structure of the IMF was directly related to the amounts of money subscribed by the member states, which ensured that the United States, with 36 percent of the subscribed capital, was the dominant voice, along with the other industrial countries, which in total had the great majority of subscribed capital. Even though its share had dropped to 23 percent by 1974, the United States had a veto through a provision requiring an 80 percent majority vote on key issues.

A good summary of the real impact of the IMF in the earlier boom period was given by Cheryl Payer in 1974:

> The IMF has never played a deciding role in the adjustment of exchange rates and trade practices among the wealthy developed nations, despite the large sums it has made available for the defense of their currencies ... it cannot dictate policies when there are fundamental disagreements among the titans of international finance. It is rather the weaker nations which are subject to the full forces of IMF principles....[6]

This differential impact on nations is something I want to return to later. Turning now to the World Bank, once the reconstruction of the war-torn industrial countries was completed, the fundamental role of the Bank was to make loans to Third World governments to pay for investments in large basic infrastructure projects like dams, power plants, roads, etc. These were projects that private investment was unwilling or unable to carry out, but which were necessary to lay the basis for private investment in other sectors, particularly natural resource exploitation and manufacturing.

As with the IMF, voting power in the Bank was determined by capital subscribed, which ensured that the Bank too worked primarily for the interests of capital in the developed countries and not for the Third World. Thus from the very beginning, the United States owned the largest percentage of the Bank's stock (35 percent), and the industrial countries as a whole the great majority. Moreover, the influence of the industrial countries was further strengthened by the Bank's policy of financing much of its loans by borrowing huge

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amounts in world capital markets—which needless to say were dominated by the same industrial countries.

While the conventional wisdom is that World Bank loans were ultimately intended to promote economic development in the Third World, the reality is that their role was to promote private foreign investment in those countries. A good example of the Bank's real motives can be seen in the oil area, where for decades the Bank stubbornly refused to lend money to Third World governments for highly profitable investments in oil refining and production, insisting instead that foreign investors be given these lucrative opportunities.

Thus we can conclude that in the boom period prior to the period of globalization, the Bank and the IMF basically functioned as handmaidens of Western capital vis-à-vis the Third World, and played little role in the relationships among the industrial countries.

In the 1970s and early 1980s, these two institutions played their traditional but increasingly important roles in beating back the challenge of the Third World. This was the challenge presented by the rise of OPEC and the drive by other key raw-material-producing countries to improve the terms of trade for their exports of these key commodities. The World Bank in particular played an important role by working to prevent individual industrial countries from making favorable unilateral deals with raw-material-producing countries; instead the Bank led multilateral efforts to increase the supply of raw materials available to all industrial countries. In other words, the Bank worked to prevent the formation of potential rivalries among industrial countries, which would have improved the bargaining position of the Third World.

Furthermore, in the 1980s, as globalization and financial speculation went into high gear, the two institutions continued their efforts to insure that the Third World remained subservient to the needs of international capital, whatever the cost. Thus they collaborated to coordinate the handling of the Third World debt crisis, in which big Western banks recycled petrodollars by foisting ill-advised loans on Third World coun-

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tries like Mexico and Brazil. Thus the IMF and the Bank used their enormous clout to see that countries repaid their debts to Western capital. As a UN report notes: "In 1983-89, rich creditors received a staggering $242 billion in net transfers on long-term lending from indebted developing countries."[7] Yet despite this huge debt repayment flow from the Third World, its total debt, which was only $100 billion in 1970, doubled in the 1980s, from $650 billion to $1,350 billion.[8]

These dry figures do not do justice to the cost in human terms. As Davison Budhoo, an IMF economist who resigned in disgust in 1988, has stated:

> IMF-World Bank structural adjustment programs (SAPs) are designed to reduce consumption in developing countries and to redirect resources to manufacturing exports for the repayment of debt.... the greatest failure of these programs is to be seen in their impact on the people.... it has been estimated that at least six million children under five years of age have died each year since 1982 in Africa, Asia and Latin America because of the anti-people, even genocidal, focus of IMF-World Bank SAPs. And that is just the tip of the iceberg.... some 1.2 billion people in the Third World now live in absolute poverty (almost twice the number ten years ago).... On the environmental side, millions of indigenous people have been driven out of their ancestral homelands by large commercial ranchers and timber loggers ... It is now generally recognized that the environmental impact of the IMF-World Bank on the South has been as devastating as the social and economic impact on peoples and societies."[9]

I conclude, therefore, that the IMF/Bank track record has been consistent throughout the eras of boom and stagnation in terms of representing the interests of the industrial countries versus the Third World. In the 1990s, however, we are in a period of extremely fierce economic rivalry among three major industrial powers. The collapse of communism means that Japan and Germany no longer need a United States military umbrella, although the Persian Gulf war can be seen as a United States attempt to show them their vulnerability and the importance of United States military power in protecting their access to resources. But today the main rival-

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ries are over trade and investment restrictions, particularly between the United States and Japan, but also between the United States and Europe.

In this situation of extreme rivalry, it is not so clear to the international financial institutions what they should do when their key members are quarreling. Two good examples are given by recent events. The first was the collapse of the Mexican peso, after which case the IMF moved quickly on U.S. demands to bail out Mexico by offering within hours a standby credit of almost $18 billion—far more than it had ever given any single country before and a very large proportion of its available lending capacity. But key European powers like Germany and France, as well as Japan, were furious at these actions of the IMF, and in an unprecedented step some of them abstained from voting on the formalities of the loan. In this case, the U.S. rivals were upset by the way in which the IMF bureaucracy jumped through the hoops for what was seen by these rivals as fundamentally a United States problem, which the United States should have solved by itself.

The second example is the recent widely publicized decline of the dollar in terms of the yen and the mark. Japan and Germany have openly stated that the United States should deal with its "dollar" problem—which they see as caused by the huge United States budget and trade deficits—by the traditional IMF methods imposed on Third World countries: namely, the United States should reduce these deficits by raising taxes and cutting social expenditures, even if this then throws the country into recession. The continuing currency devaluation taking place in the U.S. dollar is not acceptable to these rivals both because it hurts their competitive position vis-à-vis the United States in trade, and because as holders of large amounts of United States debt obligations, they are hurt by the decline in value of these debts.

According to standard IMF prescription, such currency devaluations are unacceptable, and the country should take internal steps to solve these problems. But the United States, as the world's leading economic power, is unwilling to impose

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upon itself the same restriction that it has imposed on Third World countries through the IMF. So the IMF finds itself hoist on its own petard, and all the world can see that its ideology of free markets and financial discipline are fine for the weak, but not for the powerful.

Finally, I would like to conclude with some speculation on the future of globalization and the two institutions. Globalization, which along with its co-conspirator, privatization, involves the relentless penetration of private capital and market principles into every arena of life, is a powerful force everywhere in the world. Since there are no longer socialist countries to offer either a practical or an ideological challenge, populations and leaders everywhere are succumbing to the continually trumpeted idea that there is no alternative to privatization and the market. Yet, globalization's own increasing success may well lay the groundwork for the ultimate containment and reversal of this trend.

One reason is that globalization has been marked by the development of blocs based in North America, Europe, and East Asia. The push for privatization may begin to run up against the desires of each of these conflicting blocs to be the main beneficiaries from such privatization. For example, at last month's World Bank/IMF annual meeting in Washington, there was general agreement that the Bank should shift the focus of its loans toward private investors rather than Third World governments. But this raises the question of which private investors from which countries should be the beneficiaries.

A more fundamental limitation to globalization is that in today's era of stagnation, globalization is increasing income inequality all around the world. In 1970, the richest 20 percent of the world's population had an average income 32 times that of the poorest 20 percent; by 1991 that ratio had almost doubled, to 61 times.[10] As the *Human Development Report* notes, "The gaps in income and employment opportunities between rich and poor nations and between rich and poor people are thus very large—and widening at an alarming pace."[11] The

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same pattern of course can be seen here in the United States and in our own state and city.

One result of this increasing income inequality is that the problem of overaccumulation of capital, or underconsumption, which itself gave rise to the period of stagnation, is getting worse. Fewer and fewer people around the world can afford to buy the necessities and comforts of life which the global economy is capable of producing. Living standards of the middle and working classes are being reduced, sometimes destroyed almost overnight. One example of this phenomenon, related directly to the impact of globalization's accelerated financial speculation, is Mexico. As a result of the 1994 flight of hot money which led to a sharp devaluation of the peso last December, thousands of Mexican businesses were destroyed, hundreds of thousands of Mexicans were thrown out of work, and real wages, which had already declined by half in the 1980s, are likely to fall by another 20 percent or more by the end of the year.[12]

At present, the reaction of people around the world to the huge stresses generated by globalization varies. They range from patient waiting to stunned despair to isolated violent actions. On the other hand, the ideologues of the market, political leaders and media personalities alike, often shed crocodile tears over the suffering of the masses; but they also say that while there is no alternative to this suffering, as the virtues of the market finally work themselves out, everyone's life will improve. The reality, however, is that there are no mechanisms within the market today to prevent the living standards of most people from falling indefinitely. Indeed, some of the ideologues are already preparing the groundwork for accepting a new era of unprecedented income inequality, often based on race and class prejudices. Here at home we already have the trial balloon of the "Bell Curve" as justification for the depressed position of African Americans and minorities in general.

Is there anything hopeful in this gloomy picture? I think there is, in the sense that most people are not stupid, and after

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the shock and despair wear off, I believe they eventually will come to see that the promise of the ideologues is false. At that point in time, which will be different for different places, people will look for new solutions and new ways of organizing economies. They will come to see, as they did in the 1930s in the United States or in revolutionary countries in the Third World, that it is not necessary to sit by passively while vast proportions of the population are unemployed and poor; but rather that by intelligence and planning and cooperation, people can build a decent economic life in their community and country.

What the nature of these new economic communities will be is something extremely difficult to know or specify in advance. But even if we cannot give detailed blueprints of a new utopian future, what is important as a starting point is to expose the present drive for globalization and the total rule of capital for what it is—a blueprint for dealing with stagnation and economic crisis by enriching a few to unprecedented levels while impoverishing the many.

And in that connection, since last year was the fiftieth anniversary of Bretton Woods and the founding of the Bank and the IMF, there were many useful critiques published of these institutions, as well as a great variety of suggestions for reforms. In my opinion, since the two institutions have always been handmaidens of an unjust international economic system, the fundamental solution lies not in reforming or even in abolishing them. What is needed is a complete overhaul of the international economic system and the replacement of the primacy of capital with the primacy of human beings. Only then will we see the kinds of global financial institutions that are needed.

And, finally, since in my view the nation state is still the fulcrum of political activity for the foreseeable future, it is incumbent on progressives in the United States to work toward changing governmental policy in this country. Only in this way can United States political and economic power be used to build a more just economic order for all the people

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of the world, not least those in our own country. One small but important step in that process is educating ourselves as to what the present international system is all about. I hope that this talk and the discussion that follows will advance this process.

NOTES

1. Richard Barnet and Ronald E. Muller, *Global Reach: The Power of the Multinational Corporations* (New York: Simon & Schuster, 1975), p. 15.
2. Ibid. p. 19.
3. Richard Barnet and John Cavanagh, *Global Dreams: Imperial Corporations and the New World Order* (New York: Simon & Schuster, 1994), p. 14.
4. Harry Magdoff, "Globalization: To What End" *The Socialist Register* (New York: Monthly Review Press, 1992), p. 56.
5. Barnet and Cavanagh, *Global Dreams:*, p. 17.
6. Cheryl Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York: Monthly Review, 1974), p. 24.
7. *Human Development Report*, 1992, Table 3.1, p. 36 and 1994, Table 2.6, p. 35.
8. Ibid.
9. "IMF/World Bank Wreak Havoc on Third World," in *50 Years Is Enough: The Case Against the World Bank and the International Monetary Fund*, Kevin Danaher, ed. (Boston: South End Press for Global Exchange, 1994), pp.20-22.
10. *Human Development Report*, 1992, p. 45.
11. Ibid., p. 38.
12. *Left Business Observer*, March 14, 1995, p. 7.

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THE THIRD SECTOR AS A PROTECTIVE LAYER FOR CAPITALISM

by JOAN ROELOFS

Those who wish to promote change should look closely at what sustains the present system. One reason capitalism doesn't collapse despite its many weaknesses and valiant opposition movements is because of the "nonprofit sector." Yet philanthropic capital, its investment and its distribution, are generally neglected by the critics of capitalism. Most studies of the subject are generously funded by the nonprofit sector itself; few researchers have followed up on the observation of Marx and Engels in *The Communist Manifesto*:

> A part of the bourgeoisie is desirous of redressing social grievances, in order to secure the continued existence of bourgeois society ... To this section belong the economists, philanthropists, humanitarians, improvers of the condition of the working class, organizers of charity, members of societies for the prevention of cruelty to animals, temperance fanatics, hole-and-corner reformers of every imaginable kind.

The United States is unique in the size and scope of this sector which spends over $400 billion annually. Its tax-free wealth is largely unaccountable: just imagine the land, the buildings, their contents, and the investments of churches, private universities and schools, museums, zoos, teaching hospitals, conservation trusts, opera houses, etc.

This model has been exported to everywhere for over a century. Currently the United States philanthropy network is

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attempting to create entire "nonprofit" sectors in Eastern European countries. "Bible imperialism" was an early version; another was a large Rockefeller infusion into the London School of Economics during the 1920s and 1930s.

Some may see a galaxy of organizations doing good works — a million points of light — but the nonprofit world is also a system of power which is exercised in the interest of the corporate world.

What is the nonprofit sector? In the United States, it includes churches, private schools and universities, cultural institutions, advocacy groups, political movements, research institutes, charities, and foundations. One subset is particularly noteworthy: those organizations covered by section 501 (c) (3) of the Internal Revenue Code. These are the benevolent organizations whose receipts are tax-exempt, and whose contributions are tax-deductible for the donors. They are generally the only organizations that receive foundation grants. In turn, they must restrict political advocacy and may not engage in election campaigns. They also may not distribute profits to shareholders.

Not all in this sector are corralled into innocuous system-protecting activities; there are a few independent, usually poor and obscure organizations. However, most organizations are linked to each other and to the major corporations by their funding, their invested assets, technical assistance, interlocking directorates, and peak organizations such as the Independent Sector and Council on Foundations.[1]

Independent Sector, the trade association of the nonprofit sector, was founded in 1980. It has a budget of $5 million and 800 members, including (as of November 1988): the AT&T Foundation, the Aga Kahn Foundation, the American Association of Community and Junior Colleges, the American Association of University Women, B'nai B'rith International, Boy Scouts of America, Coors Foundation, Environmental Law Institute, Mexican-American Legal Defense and Educational Fund, Mothers Against Drunk Driving, NAACP Legal Defense and Education Fund, National Au-

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dubon Society, Sierra Club, and World Wildlife Foundation. There are over 1500 foundations in the United States that are affiliates of profit-making corporations, and they work along with the traditional charities and foundations to keep the ship afloat.

In what way does this sector serve as a protective layer?

First of all, non-profits play an important role in the concentration and distribution of capital for the profit making sector. For example, prominent on nonprofit hospital boards of trustees are businesspeople, bankers, real estate developers, insurance executives, etc. Expansion decisions provide a major stimulus to the economy of a region, as well as plums for individual corporations. In addition, foundations and other charitable institutions invest assets in stocks and bonds and can exert power along with other institutional investors.

Second, nonprofits provide goods and services that the market cannot, from homeless shelters to opera and BBC TV drama. The latter are quite important, as the defection of intellectuals tends to be more dangerous than dire poverty.

Unprofitable but necessary activities could be carried out by government, as they are in many countries. However, privatization of charity, culture, education, and reform has many advantages. If philanthropic capital were taxed, its disposition would be subject to political debate. Nonprofit organizations, on the other hand, are directed by self-perpetuating boards, and there is no democratic control over their private policy-making. Staff members have no civil service status or security; they are dependent on philanthropy and its visible, hugging arms. Almost all organizations look to corporations and foundations for funding. Small donations or dues are rarely adequate for any major undertaking, and require much energy to collect. Even the NAACP Legal Defense and Education Fund was crucially dependent on foundation money for the litigation leading to Brown *v.* Board of Education in 1954.

Some of these unprofitable functions could be performed by political parties, unions, or social movements.

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Elsewhere in the world, political parties sponsor youth groups, daycare centers, children's camps, and other charitable and educational activities. One might think it particularly appropriate in a democracy for political parties to be the primary locus for social reform and public policy research and advocacy. Nevertheless, in the United States advocacy and reform are largely monopolized by foundation-supported nonprofits.

Yet another protective function is employment for sons and daughters of the rich who might otherwise be unemployed and disaffected, along with those of any class who are dissident and troublesome. Mix a "soup" of potential and actual troublemakers with lots of gold floating around, and it will go down very smoothly, soothing sore throats and sore heads.

The nongovernmental and nonpartisan status of these organizations generates a halo of altruism and independence, and this is all the more useful in their international activities. Their geographical and functional range is exhaustive, and there is scant recorded evidence of resistance to the penetration of philanthropy. Recent activities include support for Christian Democratic parties, unions, and grassroots organizations throughout Latin America; the creation of a nonprofit sector in Eastern Europe and the former Soviet Union; the fostering of a nonracial, nonsocialist solution in South Africa; and the "sustainable" development response to critics of third world exploitation. The United Nations itself, by origin and development, owes much to multinational philanthropy.

The contours of the nonprofit system become clearer when we look at its great planning and funding arms: the large foundations. They contribute to amusement, to placation of artists, to biochemical research, and to routine charity, but perhaps their most interesting endeavors are in directing social reform. They and their creations supply the ideas for political change. The great multipurpose foundations first arose in the early 20th century, closely connected in spirit and practice with Progressivism and the rise of the social sciences. The new millionaires of robber baron infamy saw foundations

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as devices to serve several purposes. First, they would provide a systematic way to dispose of vast fortunes. Second, they would permit considerable social control through philanthropy. John D. Rockefeller decided "to establish one great foundation. This foundation would be a single central holding company which would finance any and all of the other benevolent organizations, and thus necessarily subject them to its general supervision."[2] Third, foundations could improve public relations; many believed that the Rockefeller Foundation was created to erase the scandal of the Ludlow Massacre.

In the period prior to the First World War, foundations could ameliorate the lot of the masses and at the same time coopt intellectuals who often had socialist sympathies. They promoted an ideology that regarded social ills as problems to be solved by social scientists. Class struggle, or even conflicts of interest, was of no moment.

After the Second World War, foundation intervention in the policy process increased dramatically. For example, fear of political disorder brought forth an amelioration strategy from the Ford Foundation. Its *Report* for 1949 argued that we had to strengthen our system in order to meet the challenge of communism. Problems included the unfinished business of the Civil War, the lack of political participation, and the care of maladjusted individuals. Ford's initial strategy was to fund litigation for Supreme Court decisions, which successfully obtained increased legal equality for blacks, reform of the criminal justice system, and reapportionment of legislatures.

During the 1960s, as one response to burgeoning protest movements, the Ford Foundation took the lead in developing public interest law, which included law firms, clinical programs in law schools, specialized law reviews, and an appropriate ideology. Among the litigation organizations created were the Women's Law Fund, Environmental Defense Fund, Natural Resources Defense Council, and a number of Legal Defense and Education Funds (LDEFs) including the Puerto Rican LDEF, Mexican-American LDEF, and Native-American

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LDEF. Older organizations, such as National Association for the Advancement of Colored People Legal Defense and Education Fund and the American Civil Liberties Union, also became dependent on foundation funding.

Foundation ideology, disseminated through conferences, reports, and sponsored research and books, holds that radical protests are signs of inadequacies in pluralism. Disadvantaged groups such as blacks, Chicanos, women, children, and the poor need help in getting their rights. Grant money enables them to participate in the interest-group process on an equal basis with the more advantaged groups. Note that the poor are seen as just another minority group. Any idea that poverty, militarism, racism, and environmental degradation are related by-products of the capitalist system is ruled out.

Foundations have also poured money into existing organizations to steer them to reasonable, pragmatic goals. There were no rewards for those who wanted blacks in the United States to see themselves as part of the world anticolonial uprisings. Moderate black organizations, including the National Urban League, NAACP, NAACP/LDEF, and Southern Regional Council have been funded; radical groups have been ignored or repressed.

Foundations promote coalitions that are weighted towards the status quo. Thus, the National Urban Coalition (NUC) was formed in 1967 as an alliance between civil rights organizations, foundations, and major corporations. Previously, corporate philanthropy was usually devoted to public relations, product promotion, employee training, and similar purposes. Beginning in the 1960s, most major corporations developed foundations that participated, along with Ford, Carnegie, Rockefeller, etc., in supporting capitalism *in general.* They also became members of Independent Sector. The legality of philanthropic use of corporate funds is often questioned by stockholders, but the significance of this new wing of the "nonprofit sector" is generally ignored by leftists.

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One program of the NUC, under Ford Foundation leadership, was the creation of Community Development Corporations, in an attempt to transform the "Black Power" slogan into the more acceptable "Black Capitalism." These entities, which combine financing from government, corporations, and foundations, develop small businesses and industries in impoverished areas—white and black, urban and rural. Although their return on investment is trivial, their payoff can be measured in terms of pacification, the development of moderate leadership, and social mobility for individuals.

Another project of the foundation-corporation alliance was the establishment of the Martin Luther King Jr. Center for Non-Violent Social Change in Atlanta. It was financed by the large foundations, as well as the corporate foundations of Ford Motor Company, Atlantic Richfield, Levi Strauss, Amoco, General Motors, Heublein, Corning, Mobil, Western Electric, Proctor and Gamble, US Steel, Monsanto, Morgan Guaranty Trust, etc. Along with innocuous programs like daycare centers, housing rehabilitation, and information on how to celebrate Dr. King's birthday, are two striking projects. One is work with military chaplains to provide King Birthday observances at military bases. The other is cosponsorship of an annual lecture series entitled: "The Free Enterprise System: An Agent for Nonviolent Social Change."

Other minority movements have been transformed into standard Washington lobby format. The Southwest Council of La Raza and National Council of La Raza were created by the Ford Foundation from what were once militant movements of Chicanos in the Southwest.

Leadership training and technical assistance programs for protest and advocacy organizations also stress pragmatic goals. The foundations claim that their programs enhance "pluralism." What they mainly do is increase the clout of the foundation-corporation network. For all the emphasis on participation, ordinary people have become alienated from politics in any form, and foundation-supported policy experts nearly monopolize the political debate.

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The major foundations have always had overseas interests. Before the Second World War they had a more active foreign policy than the U.S. government, working through organizations such as the Council on Foreign Relations, the pre-eminent foreign policy think tank created by the Rockefeller Foundation and the Carnegie Endowment. The idea and funds for the United Nations owe much to foundation and Rockefeller family philanthropy.

Instability in Latin America has been greeted by the "hard cops," the CIA and the military, but also by innumerable foundation-supported projects, carried out directly or by funded nonprofits. These include aid to noncommunist grassroots organizations (especially "Christian Democratic" ones), training for potential leaders in the United States, and funding of university programs and scholars.

Foundations also created Americas Watch, and similar organizations for other parts of the world, all of which are premised on the notion that rebellions occur in part because many governments do not respect human rights, perhaps because of sloppiness, or ignorance, or corruption. Americas Watch then brings individual violations to the attention of the media and international organizations. It does not acknowledge that repression, torture, and extermination may be government policy, or that technical assistance programs may be transmitting the technology of torture.

In Eastern Europe and the former USSR, foundations long supported dissidents, for example, through the Eastern European Cultural Foundation, and ran exchange programs to influence scholars and government officials. With the eclipse of the communist governments, the U.S. nonprofit sector has not only funded individual nonprofits of all kinds, but has attempted to create an entire world in its own image. It does this by sending specialists to write constitutions, to revise civil law and university curricula, and to establish a nonprofit sector in each nation to perform charitable, cultural, social, and educational functions that were formerly government responsibilities. The traditional funders have

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been joined by an array of foundations created by George Soros for these purposes. Also, the U.S. government, modeling itself on the foundations, has gotten into the act through the National Endowment for Democracy, created by Congress in 1983 to channel funds to overseas political organizations and do overtly what the CIA does covertly. This new addition to the nonprofit sector has been attempting to mitigate the shock of marketization, which has brought about not only unemployment and destitution, but also the collapse of many important cultural and social institutions.

The environmental movement has also been a threat to "business as usual." Especially when degradation is linked to corporate activity. The response from the foundation world has been the creation and funding of many organizations, think tanks, university institutes, and conferences on "sustainable development," as well as the ideology itself of sustainable development.

Foundation influence was substantial in every aspect of the United Nations Conference on the Environment and Development in Rio de Janeiro in June 1992. Many of the nongovernmental organizations at the Global Forum, the "grassroots arena," were funded by foundations, if not their creations. Even official governmental delegates were tutored by the foundation network, which "provided technical assistance to developing-country governments that lacked the resources to participate fully in the debate, and provided texts to governments that didn't know the issues well enough to draft the subtle language needed for compromise."[3]

The foundation world's concern with "citizen participation" is now global. Of course, as in previous leadership-training programs, people will be taught to be effective, that is, to have pragmatic, reasonable goals. A new organization has been created: "CIVICUS: World Alliance for Citizen Participation ... members consist of both donors and grantees—to accelerate citizen participation and influence throughout the world.... Its administrative office is currently housed at the Independent Sector in Washington, D.C."[4]

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This is only a small sample of the protective activities of the "third sector." Much helpful and good work has been supported. Whether this is enough to stave off planetary disaster in economic, environmental, social, and political dimensions is another question. It often looks as though the energy to devise, promote, and initiate radical alternatives to the present system has been dissipated by the third sector's protective layer.

NOTES

1. Council on Foundations is an association of 1300 foundations operating in the United States and abroad. Established in 1949, the Council assists grantmakers through leadership and research programs. It recently contributed nearly $6 billion to education, human services, science research, arts, and urban development projects. Council on Foundations *Factsheet, 1995*
2. B. Howe, "The Emergence of Scientific Philanthropy," in Arnove, R., ed., *Philanthropy and Cultural Imperialism* (Boston: G.K.Hall, 1980), p. 29
3. J. Maughan, "The Road from Rio," *The Ford Foundation Report,* Summer 1992, p. 16.
4. "World Alliance," *Foundation News,* September/October 1993, p. 10.

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MODERN BARBARISM: NOTES ON THE FIFTIETH ANNIVERSARIES OF AUSCHWITZ AND HIROSHIMA

by MICHAEL LÖWY

The fiftieth anniversary of the end of the Second World War should be less an occasion for patriotic commemorations than for serious reflection on the moral and historical meaning of certain events of this war, which seriously call into question the very nature of modern civilization. The opposition between civilization and barbarism is very old. It found a new claim to legitimacy in the philosophy of the Enlightenment, and will be the lasting heritage of the socialist left. Even a revolutionary like Rosa Luxemburg, at the moment when she coined her slogan "socialism or barbarism," considered the "relapse into barbarism" to be the "decline and fall of civilization," a decadence like unto that of ancient Rome.[1]

Walter Benjamin was one of the few Marxist thinkers who was able to see that technical and industrial progress could be the bearers of unprecedented catastrophe. Whence his pessimism—not fatalist, but active and revolutionary. In a 1929 article he defined revolutionary politics as "the organization of pessimism,"[2] a thoroughgoing pessimism: scepticism regarding the future of liberty, doubt as to the destiny of the European people. And, he would add ironically, "only limited

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confidence in I.G. Farben and the peaceful development of the Luftwaffe." But even Benjamin, pessimistic as he was, could not foresee the limits to which these two institutions would go a few years later, the malevolent and destructive capacity of modernity. (Bear in mind that the huge chemical trust I.G. Farben not only used massive numbers of slave laborers at Auschwitz but also produced the Zyklon B gas that was used to exterminate them.)

Auschwitz was representative of modernity not only in the structure of its death factory, scientifically organized and armed with techniques at the forefront of efficacy. The genocide of the Jews and the Gypsies was also, as the sociologist Zygmunt Bauman observed, a typical product of the rational bureaucratic culture, which eliminates all moral interference from the process of administration. It was, from this point of view, one of the possible results of the civilizing process, in part the rationalization and centralization of violence, in part the social production of moral indifference.[3]

Hiroshima was evidently different from Auschwitz. The objective of the atomic bomb was not the extermination of the Japanese population as an end in itself. It was rather a question of hastening the end of the war and of demonstrating U.S. military supremacy over the Soviet Union. To achieve this policy objective, the most advanced science and technology was employed and several hundreds of thousands of innocent civilians—men, women, and children—were massacred, not to mention that future generations were contaminated by nuclear radiation. But the Americans who directed the project were themselves conscious of the parallel with the crimes of the Nazis. In a conversation with Truman on June 6, 1945, Secretary of State Stimson made plain his sentiments: "I told him I was anxious about this feature of the war ... because the United States gained the reputation of surpassing Hitler in atrocity."[4]

The contradictory nature of "progress" and "civilization" lie at the heart of the reflections of the Frankfurt School. In *The Dialectic of Reason*, Adorno and Horkheimer established

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the tendency of instrumental rationality to transform itself into murderous folly: the "frozen light" of calculating reason "arouses these men of barbarism." Adorno uses the expression "regressive progress" to try to comprehend the paradoxical nature of modern civilization.[5]

Nonetheless, these expressions are tributaries in spite of themselves to the philosophy of progress. In truth, Auschwitz and Hiroshima do not in any sense comprise a "regression to barbarism," or even a regression of any sort: there is nothing in the past that is comparable to the industrially produced, scientific, anonymous, and rationally administered murder of our epoch. It is sufficient to compare Auschwitz and Hiroshima to the military practices of the fourth century A.D. to understand that they have nothing in common: the difference is one not simply of scale, but of nature. Mass atrocities technologically perfected and bureaucratically organized belong uniquely to our advanced industrial civilization. Auschwitz and Hiroshima are not "a return to barbarism," they are irremediably and exclusively modern.

NOTES

1. *The Crisis of German Social Democracy, The Junius Pamphlet: Part I,* 1915.
2. Walter Benjamin, "Surrealism. The Last Snapshot of the European Intelligentsia".
3. See Zygmunt Bauman, *Modernity and the Holocaust,* (London: Polity Press, 1989), pp. 15, 28.
4. Cited by Barton Bernstein in *Foreign Affairs,* February 1995, after the historical archives were opened to the public.
5. T.W. Adorno and M. Horkheimer, *Dialektik der Aufklärung* original edition. (New York: 1944) and T.W. Adorno, *Minima Moralia: Reflections from Damaged Life* translated by E.F. Jephcott (Germany: Routledge Chapman Hall, 1985)

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ERITREA: STARTING FROM SCRATCH

by DAN CONNELL

Shortly after Eritrea's thirty-year war for independence from Ethiopia ended, men in many villages and towns formed secret committees to block women from peacetime distribution of land. "The men were rushing to divide the good land for housing and for agriculture before we established our rights," says Askalu Menkarios, who heads the 200,000 member National Union of Eritrean Women.

When the clandestine mobilization was discovered, protesting women marched on the president's office to demand action. Several of the men spearheading the drive were jailed. The incident also accelerated moves to reform Eritrea's complex land tenure system. The result was a new law declaring all land the property of the state and allocating use rights to all Eritreans, women and men alike. Previously, land had been held by communities and rotated among male members. Single, divorced, or widowed women were forced to live with their parents or migrate to the cities, where many turned to prostitution to survive.

If defending the gains women achieved during the thirty-year national liberation war puts intense pressure on the Eritrean revolutionaries, the need to produce economic re-

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sults for the impoverished population is immense. What they are finding, say the movement's leaders, is that rebuilding the country is far more difficult than winning independence. "It's not like the liberation war, where you have one major obstacle and other problems are simply secondary," says Eritrea's new president, Isaias Afwerki. "Now it's completely different. You have to face challenges in all directions and their magnitude is tremendous in terms of the frustrating effect on what you want to do and what you can do."

In a sense the Eritreans have the advantage of starting with nothing: no capital to speak of, but no crime or corruption either, no debts—economic or political—and little ideological baggage. Today, they are mixing core commitments to nationalism and social justice with a heavy dose of pragmatism, in an effort to consolidate the national democratic revolution that began in the liberated zones during the independence war. And they are doing it much as they won their sovereignty—by dint of their own efforts and on their own terms.

A recent six-week visit found most people unified behind the liberation movement, although there is some grumbling among middle-class urban dwellers and exiles over the slow pace of economic and political "liberalization." But virtually everyone in the country seems engaged in the nation-building project, and it is likely that leaders of the victorious Eritrean People's Liberation Front (EPLF)—now transformed into the People's Front for Democracy and Justice (PFDJ)—will have a grace period of at least three or four more years to implement their vision of Eritrean society before they face any serious indigenous opposition.

The central political challenge is to create a viable, secular, democratic state in a region rent by intensifying religious and ethnic conflict, and in a culture with no tradition of independent civil society. Eritrea's 2.8 million people are roughly divided between Christians and Muslims from nine distinct ethnic groups. Success will depend heavily on the ability to reconstruct the battered economy, giving people a

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tangible stake in the new state. This will be an uphill battle, as little national capital remains in the country, whose antiquated infrastructure was wrecked by the war, and foreign aid for Africa is slimmer than ever before, although Eritrea is getting bits and pieces from surprising quarters.

The longer term challenge will be to pull this off without abandoning the egalitarian values that drove the revolution in the first place. The key to success here, say political leaders, is to recapture the dynamic links with the base of society that were built during the liberation struggle. These links were substantially weakened over the past three years, under the demanding new pressures of governance and the sheer magnitude of postwar reconstruction needs.

Eritrea gained its independence from Ethiopia in May 1993, two years after winning the war, in a United Nations-monitored referendum where 99.8 percent of the voters opted for sovereignty. The former Italian colony had been linked to Ethiopia in a United Nations-sponsored federation. The arrangement collapsed in 1962 when the Ethiopians, acting with U.S. backing, swallowed Eritrea in order to gain control of its coveted coastline. Throughout the protracted conflict that began then, Eritrea served as a Cold War battlefield of dizzying political turnabouts.

From 1952 to 1976, over half the American aid to Africa went to Ethiopia, including the first supersonic jet fighters on the continent. In the late 1960s, as the United States became embroiled in the Vietnam war, Special Forces units were sent to train the Ethiopians in the latest counterinsurgency techniques. Israel also sent military advisors and arms, starting in the 1950s. In 1974, a military junta, the Derg, overthrew the 82-year-old Emperor Haile Selassie and two years later realigned Ethiopia with the Soviet Union. Moscow promptly escalated the conflict by pumping in over $11 billion in new arms to the Derg, along with high-level military advisors.

The consequences for the Eritreans—on the verge of winning the war against a crumbling, Western-backed army—were devastating. The United States, distrusting the guerrillas'

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leftist orientation, took a hands-off attitude, betting on a return to favor in Ethiopia once the war was over. China, which, with Cuba, had trained Eritrean guerrillas in the 1960s, now offered aid if the Eritreans would condemn the "Gang of Four" and publicly denounce the Soviet Union as "social-imperialist"—conditions the Eritreans spurned. The Israelis, fearing the rise of a pro-Arab regime along the strategic southern coast of the Red Sea, quietly continued to back the new Ethiopian junta, led by Lt. Col. Mengistu Haile Mariam. Even Saudi Arabia undercut the Eritreans by funding an Islamic splinter group opposed to the left secularism of the EPLF. Ironically, this Saudi intervention became a rationale for pro-Soviet elements to claim that the Eritreans, including the EPLF, were fronting for imperialism.

Lacking any consistent outside support and fighting mainly with captured weapons, the Eritreans were forced to withdraw from large areas of previously seized territory in 1978, and to shift to a mix of conventional trench warfare around their mountain redoubt and partisan raids behind government lines. This went on for thirteen more years before they secured a military victory in Eritrea and helped allied guerrilla forces in Ethiopia bring down the Mengistu regime.

The war left Eritrea in ruins. Water and sewage systems in the towns barely functioned; the few asphalt roads had been torn up by heavy military vehicles; port facilities in Massawa, the country's main outlet to the sea, were badly damaged by heavy bombing; and the rail system was entirely dismantled, its iron rails used to make bunkers. What remained of the country's light industry had not been maintained or modernized in a quarter century, and urban unemployment exceeded 30 percent of the economically active population. Meanwhile, persistent drought through the 1980s—aided by the deforestation wrought by the war—kept the rural population on the brink of famine. At the end of the fighting, fully 85 percent of the people were dependent on donated food aid, while a million refugees languished in exile abroad, over half in squalid camps in neighboring Sudan. In 1993, the World Bank

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estimated the country's per capita income at between $70 and $150, compared to $330 for the rest of sub-Saharan Africa, marking it as one of the world's poorest states.

The Eritreans now have to design everything from passports, drivers' licenses, and postage stamps to telecommunication systems, school curricula, road and rail networks, and tax policies. In effect, they are creating a country from scratch. To conserve meager resources and to avoid sinking deep into debt, the former guerrillas serving in the government collected only a basic living allowance, instead of salaries, until the beginning of 1995.

Coupled with land reform, the most important new Eritrean economic initiative is a national service campaign that requires all men and women over 18 to undergo six months of military training before spending a year on reconstruction projects. This is intended to compensate for Eritrea's lack of capital and to reduce dependence on foreign aid, while welding together the ethnically diverse society. It will also have a profound effect on the status of women, traditionally married at puberty in arrangements negotiated at birth, and then often secluded from mixed society for the rest of their lives.

Ten thousand young people trained in late 1994 are now joining brigades of the former liberation army and thousands of civilians engaged in food-for-work projects building new infrastructure, while 20,000 more recruits are in training. Last year, work teams built eleven micro-dams, terraced hundreds of miles of badly eroded hillsides, and planted over 20 million tree seedlings. The goal in 1995 is to triple dam construction in an attempt to shift the precarious peasant agriculture from one based on rainfall to small-scale irrigation. "The danger of famine in Eritrea is very minimal now," says Dr. Nerayo Teklemichael, the director of the parastatal agency that oversees the distribution of all donated food. He now worries more about dependence than about hunger: "We are nearing a very crucial point in our history, when we will say: thank you very much, we are on our own."

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Apart from food aid, the Eritreans are finding development capital hard to come by, although almost every power that ever intervened in Eritrea now gives some help. Italy has the largest overall aid package, with the United States running second, due mainly to the large input of emergency food (development aid is less than $10 million). The Israelis are providing agricultural training, the Russians are building a new hospital, and the Chinese are expanding the radio and television broadcasting capacity. North American and European nongovernmental organizations (NGOs) also give some assistance, but one of the largest sources of support remains now, as in wartime, the Eritrean exile community. Though diversifying aid sources to this extent minimizes the impact of any one donor, the Eritreans look forward to a point where they won't need to depend on it. "The time when everyone in this country will feel relieved will be when we are not asking anyone to give us help," said President Isaias.

On the political front, the immediate objectives are to come up with laws regulating an independent press and political parties, and to draft and adopt a constitution. A fifty-person commission is slated to produce a constitution for ratification by a constituent assembly in two years, after an extensive process of consultation and public debate. After the constitution is adopted, the transitional government will oversee multiparty national elections and a transfer to civilian rule, although it is already clear that parties based on appeals to ethnicity or religion will be banned.

"We have a tragic history," says Meheret Iyob, a prominent woman on the commission, referring to past confessional strife in Eritrea. "We want to have complete freedom of conscience, freedom of religion, but it is very obvious that we have to make this a secular state—otherwise, there will just be destruction."

One question is how open the press will be. Regulatory legislation was drafted but postponed last year for what officials term "technical" reasons. Sources familiar with the draft law say that the focus is on restricting foreign funding, while

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explicitly prohibiting prepublication censorship. Meanwhile, the only media outside a handful of private newsletters and magazines are the state-run radio, TV, and newspapers. One indication of how unconstrained the press is came recently when the widely read, Tigrinya-language paper Hadas Eritrea [Eritrea Today] ran a series charging gross mismanagement on the state-owned Elabared agricultural plantation, one of the largest in the country. While the response of government officials was decidedly mixed—the Asmara governor and former army chief-of-staff Sebhat Ephrem termed the reporting "nonsense"—there was no move to suppress publication or influence coverage, and the series continued.

On the other hand, an incident in which three people were killed last year in a mutiny by disabled former fighters was not covered until the president answered questions at a press conference three weeks later. "Self-censorship is our only problem," says Abinet Issayas, editor of the English-language Eritrea Profile. "No one tells us to say this or that, but we are all ex-fighters, and we do not have the habit of critical reporting. It will be much easier when the press law comes out."

Autonomous popular organizations are developing, principally out of mass-support organizations set up by the liberation front during the war, although other organizations and independent NGOs are slower to appear. The largest today are the National Union of Eritrean Women (NUEWmn), which spun off from the EPLF in 1992, and the National Confederation of Eritrean Workers (NCEW) launched last September by five industry-based union federations after the parent group disengaged from the liberation front. There is also a National Union of Eritrean Youth.

The women's union is focused mainly on education and training among poor rural and urban women, who make up the bulk of the organization's members and among whom land ownership has long been the central concern. During a series of workshops convened throughout the country, however, professional women and women who were former guer-

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rilla fighters expressed a growing impatience over the lack of a forum to press their grievances at a time when many men, including former liberation fighters, are beginning to reassert traditional male prerogatives. The most urgent situation is that faced by demobilized women guerrilla fighters, who at one time made up one-third of the 95,000-person liberation army. Now they are finding it difficult to return to home villages, where they are considered unmarriageable due to their self-assertiveness.

"Women's concerns are so diverse that we need a wide variety of organizational forms—issue-oriented organizations, perhaps affiliated to the national union but autonomous," says one long-time women's rights activist, critical of what she sees as too much centralism in the women's union. "We need to have lots of democracy," she adds.

Though the country's leaders express support for independent organizing, Eritrea has no tradition of pluralism in civil society. At end of the war, the only NGOs were the Red Cross and the churches and mosques. There were no policy groups or advocacy organizations of any kind, no independent publications, and no parties. Civilians were even arrested for listening to the liberation front's clandestine radio station. Many people, long accustomed to strict controls under Ethiopian occupation or to the highly centralized, wartime structures of the EPLF, now appear hesitant to start new organizations outside the sphere of the liberation movement. When a postwar initiative to launch a Regional Centre for Human Rights garnered nearly $1 million in foreign funding, it was summarily shut down. It has not opened since, sending a chilling message to others inclined to start up new organizations that deal with sensitive policy or political issues. Government officials insist, however, that their main concern is that organizations acting in the economic, social or political spheres have Eritrean roots and not be creatures of outside interests. In this regard, strict requirements on funding are likely to be promulgated before new organizations are encouraged to open their doors.

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Meanwhile, the new PFDJ, the country's only legal political organization in the lead-up to the legalization of rival parties in 1997, has made participation at the community level its top priority. The aim is to mobilize people into public life from the ground up in an effort to establish a genuinely open and democratic political culture within which contending nationalist political parties can emerge, according to Yemane Gebreab, who resigned his post as deputy foreign minister to work full time for the new movement after it was launched in February 1994.

"We want to make sure that the vast majority of the population has an input, that their voices are heard," says Yemane, who argues that multi-party elections by themselves will not give the largely nonliterate peasantry — especially women — more than a superficial engagement in the political process if they are not schooled first in how to make use of it, and if alternative avenues of expression are not opened to them.

This experiment in party-building marks a sharp departure from the experience during the liberation war, which was characterized by periodic outbreaks of fighting among contending Eritrean movements, as well a steadily escalating combat with the Ethiopians. A rival formation, the ELF, splintered into more than a half-dozen groups—several of which later folded into the EPLF—after an outbreak of civil war in the early 1980s. Faced with military threats from without and within, the EPLF retained a highly centralized organizational structure that did not permit caucuses or other forms of autonomous internal organization. However, EPLF leaders revealed in 1994 that there had been a secret Marxist-Leninist party leading the front until 1989, when it was quietly dissolved prior to the final liberation of the country.

The new PFDJ aims to be a mass movement rather than a vanguard party, and is recruiting people to join based only on their professed agreement with the principles laid out at its founding last year. In some communities, up to 80 percent of the adult population has signed up. PFDJ leaders say they

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expect lively debate within the movement and anticipate the possibility of more than one formal political party to emerge from it in the future, once a party law is drafted. Meanwhile, the PFDJ is drawing a sharp distinction between itself and the state to ensure its independence.

Five key leaders resigned their state positions to head the party's secretariat. Property held by the state when the liberation movement seized power—including houses, businesses, and other formerly nationalized resources—remains state-owned, although much is slated for privatization. Resources obtained through activities undertaken during the war, such as domestic and international trade, construction, and small-scale production, remain under the control of the movement, which will not receive any subsidies from the state. Instead, it will support itself from these enterprises and from contributions by its members. Nor, say PFDJ leaders, will it subsidize or control the emerging sectoral organizations, which are also scrambling to consolidate both their financial and political independence.

One of the more interesting instances of autonomous sectoral organizing now underway is the NCEW. With only 20,000 members, the new trade union confederation is already going head-to-head with the government, still the country's largest employer, over bread-and-butter issues such as job security in the face of privatization plans, the length of paid maternity leave (with advice and support from the NUEWmn) and other benefits. NCEW leaders also insist on independence from the PFDJ, out of a conviction that the union's ability to represent working-class interests to future parties would be compromised by structural links with the PFDJ, although most NCEW members are also in the PFDJ. Within a month of its launching, NCEW leaders also initiated contacts with the Congress of South African Trade Unions and other workers' organizations and movements in an effort not simply to build class solidarity, but to draw on their experience. In February, the NCEW convened an interna-

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tional seminar on workers' rights in preparation for drafting proposals for the constitution commission.

NCEW leaders say that one of their immediate priorities is to overcome habits of passivity bred into the workers by Soviet-style unions set up under Ethiopian rule, in which leaders and meeting agendas were selected by the occupation forces and open debate was discouraged, if not severely punished, according to NCEW vice-general secretary Tsegai Mogos. "Our main objective now is simply to develop trust and build dignity among our members," he says.

Perhaps the most difficult challenge the Eritreans face—and the most protracted—will be at the cultural level. Here fault lines exist that will be targeted by class and political opponents in attempts to undermine this bold experiment. Already, there are signs of this in sporadic cross-border raids from a Sudan-based Islamist movement, known as Jihad, which tries to appeal to religious conservatism to build opposition to the reforms in land tenure and gender relations, among other issues. So far Eritrean officials term it a minor irritant, but it has the potential, if nothing else, to help spark a regional conflict with Sudan, whose militant Islamist government is supporting similar opposition movements in Ethiopia and Uganda. To underline its resolve on this issue, the Eritreans sponsored a highly publicized conference in June of all Sudanese opposition groups. Nevertheless, for now,the Eritreans say their best defense lies in people-driven economic and political initiatives that produce tangible results in the affected areas.

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COMPUTERS AND CAPITALISM: A TRAGIC MISUSE OF TECHNOLOGY

by NICHOLAS BARAN

Along with the automobile, the telephone, and the television, the personal computer (PC) must be considered one of the major technological inventions of the twentieth century. Since its modest beginnings in the early 1980s, the PC has become ubiquitous in the workplace of the industrialized world, from auto shops to doctors' offices to factory floors. Only the most curmudgeonly would deny that the PC has become an enormously productive tool. However, the PC has also become a tool that further increases economic and educational disparities in our society and perpetuates social alienation.

First, let's consider how the PC increases economic and educational disparity. The reason is simple: PCs are still not affordable for a large number of people. Fully equipped systems still cost $2000 or more. Our woefully underfunded school systems cannot afford PCs and many working people whose real wages have barely increased in the last twenty years cannot afford them either.

Although the PC has been in existence for over fifteen years, computer education in our public schools is virtually

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nonexistent. For example, California public schools have an average of about twenty students per computer, which is far too large a ratio to provide any meaningful computer training. To make matters worse, most public school teachers have little or no experience in teaching computer technology. Not surprisingly, the few computers that are available in most public schools are mainly used by students who have access to computers at home and have learned about them outside of school. The result is that computer literacy, much like basic literacy one hundred years ago, is primarily the province of the affluent and well-educated segment of our society.

The privilege of computer literacy brings with it advantages that extend far beyond the ability to operate a computer. Today's PCs equipped with CD-ROM drives offer a wealth of educational software for young people, such as illustrated and animated encyclopedias, programs for learning math and geography, and so forth. This software is not cheap and it is easy to spend hundreds of dollars setting up a PC as a child's "learning center."

Whether one approves of educating children by computer or not, the fact is that those children who have access to educational software on their PCs at home will generally have an educational advantage in school. This is not because computers offer a superior means of learning, but simply because very few children read books. If one child spends her or his free time watching TV, while another spends that time playing a geography game on the computer, it's obvious which child will grasp geography more quickly in school. The point here is that the expense of PCs and educational software excludes a huge segment of our young people from any exposure to these resources.

The tragedy is that this state of affairs is largely the result of the neverending quest for high profit margins in the computer industry. The technology is there to build a perfectly useful and fully equipped personal computer for a few hundred dollars, using previous generation microprocessors. The actual computing power of personal computers has been

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consistently underutilized since the introduction of the original IBM PC. The great majority of PC users use their PCs primarily for word processing or managing simple databases. The PC of ten years ago has more than adequate processing power to perform these basic tasks.

Although there is absolutely no need for the latest and greatest whiz-bang computer to do basic tasks such as word processing, the computer industry's primary motive is to maximize profits. The industry maintains its profit margins by constantly introducing more and more sophisticated computers and by convincing consumers through relentless marketing that their old PCs are obsolete. Similarly, the software industry, driven by intense marketing and by the contrived obsolescence of previous versions of software, has produced more and more complex and sophisticated products, loaded with features that most people never use.

Given that older PCs are potentially still useful, the logical conclusion might be to donate obsolete PCs and software to schools. However, this is a flawed strategy. Donations to schools are inequitably distributed and do little to change current disparities. Since affluent computer users are more likely to donate their obsolete equipment, most of it ends up in schools in affluent neighborhoods. In addition, older generation PCs are virtually useless unless training is also provided, since the software of the past decade is difficult to learn and use. There are countless examples of donated PCs collecting dust in school storage rooms because no one knows how to use them.

The best solution would be the development of new software and low-cost computer systems specifically designed for use in schools and in the home, and designed for people with no previous exposure to computers. Such designs would take advantage of the major advances in software technology over the past decade, but apply them to lower cost, previous generation microprocessors. Today's crop of computers, which require huge amounts of memory and hard disk storage, are not the answer. They are still too expensive and are

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saddled with cumbersome and largely useless software. Unfortunately, the computer industry has no incentive to design computers for schools or low-income people. There is no money in it.

Of course, this is not to imply that working people are excluded from access to computers. Indeed, quite the opposite is true. However, most workers do not have the luxury of using PCs for educational or creative purposes. Most workers' interactions with computers are not much better than the debilitating routines of working on an assembly line. Workers such as secretaries and telemarketing personnel spend forty hours a week or more in front of a computer screen and suffer consequences such as carpal tunnel syndrome, blurred vision, insomnia, chronic headaches, and other ailments. Little has been done to improve the working conditions for this large segment of workers.

The personal computer as a vehicle for worker exploitation is further encouraged by the phenomenon of "telecommuting," made possible by advances in telecommunications (we'll come to the "information highway" shortly). With the possibility of having people work from home on their PCs, employers are salivating over the prospect of paying people piecemeal, as in the cottage industries of the nineteenth century—no medical benefits, no paid vacations, no requirements for office space—it's a dream come true for telemarketing companies hiring people at minimum wage to make sales calls. Indeed, the PC is available to working people, but primarily for stultifying, monotonous tasks that offer no opportunity for advancement.

An Information Highway for the Few

If the PC has become an agent of economic and educational disparity, the so-called information highway will only make these disparities worse. To begin with, you need a PC to connect to the information highway. But more importantly, the information highway is a commercial enterprise and the enormous investments that telecommunications and com-

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puter companies are pouring into telecommunications technologies will be recouped by passing on these costs (plus a little extra for profit) to customers. Costs of $30 or more per month will exclude a large segment of our society from access to the information highway.

The intent of the telecommunications companies is to install fiber optic cable throughout the United States. This high speed cable will allow video and audio signals to be piped into the home, enabling the telecommunications and entertainment companies to establish "home entertainment networks."

The installation of this fiber optic cable throughout the United States will cost somewhere between $200 and $400 billion. Not only will the costs be passed on to consumers, but there will inevitably be some major business failures, resulting in job losses in addition to those jobs lost due to automation, as David Noble discussed in the June 1995 issue of *MR*.

It is important to emphasize that the information highway of the future is not the Internet of today. The Internet has largely been funded by government and academic institutions, but is in the process of becoming an entirely private enterprise. While college students and government employees may have free accounts, their free ride is about to end due to budget cutbacks, and private citizens already have to pay monthly (and often hourly) access fees.

Like the PC, the Internet can be a very useful tool. It enables people around the world to communicate by electronic mail. The Internet offers enormous information resources that are hard to find elsewhere, and people at all points on the political spectrum have been able to use the Internet to their advantage. For example, people involved in the Chiapas revolt in Mexico reported events on the Internet in a topic area ("news group") devoted to indigenous peoples. Students in the United States have been able to establish "pen pals" with young people in Russia via the Internet. Of course, there is also a tremendous amount of misinformation and garbage on the Internet. Hate groups, pornography, and

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virtually every other human endeavor is represented. As an aside, it would be a fascinating study to determine the number of hours of productivity that are lost by employees and students just fooling around on the Internet. I have known people who literally spend over half of their working hours "on-line."

In any case, the democratic and egalitarian quality of the Internet is not likely to last. As it becomes a commercial enterprise, and as telecommunications companies gain control over large portions of it, the Internet is likely to become an expensive toy for the affluent segments of our society.

Computers and Alienation

In addition to perpetuating economic and educational disparity, the personal computer is a cause of social alienation. Our society is alienated enough due to the loss of community resulting from sprawling suburbs, shopping malls, and countless forms of mindless entertainment. The PC, and particularly the information highway, make the phenomenon of alienation even more pronounced.

First let's consider the case of children whose primary interaction from an early age is with a personal computer instead of with other children. While these children may be learning all sorts of interesting things from their PCs, they are not learning the most important lesson of their formative years—how to get along with other people. The phenomenon of children holed up indoors entranced by their computer screens is becoming increasingly common, a result of ambitious parents' desire to give their kids a "competitive edge," coupled with their fear of letting them out of their sight and exposing them to the dangers of America's streets. These "computer-age" children may know their stuff on the computer, but they have no idea how to conduct a conversation with their peers or how to react to the myriad social situations one is confronted with in daily life. It's a scary prospect.

The same is true of the information highway. People "on-line" communicate anonymously with other people, often

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expressing themselves in ways they would never dare to do in person. Human beings become "e-mail addresses," with no personality, no emotion, no fear of consequences. The on-line world is an alienated world full of lonely people trying to reach out from their computer terminals, eventually developing a distorted and neurotic view of community and social interaction. In short, we are creating an alienated and disoriented group of electronic misfits who see only the electronic world around them.

Technology for the few, social alienation, and oppression of deskbound working people are the dark sides of the PC revolution. I firmly believe that the personal computer is still a marvelous invention and one that has the capability to be used for great social good, all around the world. When the PC revolution started in the early 1980s, it had the feel of a "countercultural" phenomenon. People working out of small garages and on college campuses were dedicated to developing the PC for love of the technology—money was not their main concern. Today, the PC is the bailiwick of multimillion-dollar corporations and the mainstream business world. As long as the technology is controlled by greedy corporations, its darker sides will continue to grow and its potential benefits will continue to decline. As with so many other great technical achievements, the forces of monopoly capitalism threaten to destroy the PC as a tool for positive change.

(Continued from inside back cover)

We record with sorrow the recent death of two highly valuable MR Press authors: (1) Harris Stone, author of *Workbook of an Unsuccessful Architect* (MR Press, 1974) and *Monuments and Mainstreets* (MR Press, 1983). An obituary, including an account of Harris' relationship with Harry Braverman and MR will be published in a future issue. (2) Ernest Mandel, the outstanding Belgian Marxist theorist and activist, author of *The Formation of the Economic Thought of Karl Marx* (MR, 1971), *Europe v. America: Contradictions of Imperialism* (MR, 1970), and *Marxist Economic Theory* (MR Press, 1968).

A Los Angeles MR discussion group meets on the second Wednesday of every month at the Westside Pavilion (Overland at Pico Boulevard) at 7:45 p.m. Anyone interested in joining or obtaining further information should call Ronald Spriesterbach at (213) 886-1767.

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BOOKS

HERE TODAY AND GONE TOMORROW

by MARTIN OPPENHEIMER

Flesh Peddlers and Warm Bodies: The Temporary Help Industry and Its Workers by Robert E. Parker. New Brunswick, N.J.: Rutgers University Press, 1994. 174 pp. $14.00.

The "crisis" of a declining rate of profit and a corresponding sharpening of international competition in the 1970s and 1980s has led capitalist firms to adopt a set of strategies intended to lower costs and raise profits once more. These include union-busting and pressuring government to roll back a range of "expensive" social reforms. But capital's most important strategy has been to seek greater flexibility in deploying its resources, including labor. The problem for the working class is that in the era of global capitalism, capital is able to move about the globe to invest wherever opportunities are optimal (and labor costs are cheapest) while workers are, for the most part, consigned to whatever jobs are available. Unlike capital, labor cannot move about the globe at will, much less do it in an organized fashion.

This contradiction has led to a fundamental change in the composition of the working class in most technologically advanced countries. One feature of this change is the well-documented shift from manufacturing toward services, both white collar and gray. A second is the permanence of large-scale unemployment. Another is the increasing proportion of the labor force that is "contingent."

Contingent workers are those who work part-time, temporarily, seasonally, or as self-employed subcontractors. They may be documented or "undocumented" (illegal immigrant) farm workers,

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day laborers working under "shape-up" or (nonunion) hiring hall conditions, household help working solo or under a patron, or they may be former management-level employees "downsized" (laid off) and now working as "consultants" under contract (often exclusively for the same firm that laid them off, a matter of some concern to the Internal Revenue Service, which feels cheated out of payroll deductions). They may be "direct hire" temps, or they may work for a temp agency or spin-off firm formed by a larger corporation. The largest number work in the services, ranging from professionals such as part-time faculty, now about 40 percent of all faculty in the United States, to low-wage dead-end food service, building maintenance, or guard jobs. In the services, the largest number of temps are clericals, but there are also many industrial workers, mostly in warehouse and other less-skilled work.

Between one-quarter and one-third of all employees in the United States today are contingent workers. As Parker notes, contingent work has become their only option "as the largest corporations in the United States continue to restructure their operations on a worldwide basis." Women, the young, the elderly, and minorities are overrepresented. Businesses benefit from their flexibility and have no need to provide fringe benefits such as health insurance, vacations, pensions, and union contracts.

But there is also a "supply-side" dimension to the growth of contingent workers: as job insecurity rises, employee loyalty declines. And as the skill content and wage of many jobs deteriorate, dissatisfaction sets in. The consequence is a greater willingness to quit jobs and job-hop. Although these factors should not be exaggerated, a temp job is one way to survive while looking for a "real" position.

There is now a considerable body of research on the subject of contingent workers. Parker's *Flesh Peddlers and Warm Bodies*, despite its off-putting title, is a good place to get a solid grounding in understanding the kinds of work involved. Equally important, however, is the way Parker puts contingent work into a broader historical and theoretical context. His is a distinctly critical view that misses being radical only because he refrains from recommending any sort of social policy strategy. His discretion in this respect may be the better part of valor.

The focus of Parker's book is on perhaps the most significant kind of contingent work structure, the temporary help supply company. In 1970, the THS industry's total payroll was $547.4 million. By 1992 it had grown to $16.8 billion. It is the fastest-growing "industry" in the United States. Some 2,400 THS companies sent 6.5

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million people out to jobs in 1993. Nearly half were clericals. The largest of these firms, Manpower, Inc., sent out 560,000 people in 1992, making it a larger "employer" than GM or IBM. It is, not coincidentally, a transnational corporation with headquarters in London and offices in 35 countries.

Are THS firms employers, or just employment agencies that act as labor market intermediaries? Parker agrees with the Internal Revenue Service that they are indeed employers, and as such are obligated to deduct taxes, Social Security, unemployment insurance premiums, etc. Their main objectives, Parker points out, are "expansion, increasing sales, and higher profits."

Parker sees a number of trends in the temping industry. Increasingly, temps are hired under a system known as "planned staffing," which simply means that more and more companies opt for a flexibility in which they maintain a "core" of permanent workers with a "ring" of temps who can be hired or laid off at will, depending on the business climate. Second, workers at companies that supply technical, especially medical-related temps now account for a growing percentage of temps. Third, management is expanding the use of employee leasing, a dodge in which the employer does the recruiting and training of new workers, and then turns them over to a temp agency for payroll purposes, thereby staying flexible and avoiding administrative costs. Employing temps is also a good way to evade hiring freezes.

Contingent work provides employers in the era of "just-in-time" production techniques with "just-in-time" workers. Deskilling, even in the white collar field, has helped promote "a highly flexible, interchangeable workforce," Parker, citing Braverman, reminds us. "The connection between employer and worker," he points out, "has become completely formalized and depersonalized." Interaction with the company in which temps work is purely formal because the temp works for the temp agency. The agency in turn makes sure to weed out problem workers so as to save on its labor costs.

The trend towards subcontracting or "outsourcing" is a fundamental component of today's drive for business flexibility. But Parker's inclusion of "business services," where a corporation contracts another firm to manage its cleaning services, cafeterias, etc., as contingent work, is open to some question. When public schools and universities "privatize" food services, or in the case of the private sector, "outsource" or use subcontractors to supply components, is this really contingent work? While it is true that work for a subcontractor may be less stable than it once was in the "parent" firm and that subcontractors occasionally use workers on a temp basis them-

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selves, these firms, some of them major transnational players, are not, strictly speaking, temp firms. Employment is full-time and contingent, as is all business, on the demand for the company's product. Of course, the trend towards more subcontracting, whether it be janitorial services or supplying components, is just as much part of capital's broader strategy for flexibility in deploying its labor as is the use of temps.

The growth of temp firms and subcontracting has contributed to the statistical illusion, promoted by business and government leaders alike, that small business is the major job generator in the economy. Although Parker does not pursue this issue, it has become clear to a number of observers that big business downsizing in favor of subcontracting is the motor of much small business growth. Moreover, when a business lays off workers and substitutes temps, it *becomes artificially smaller because the temp is technically em*ployed "externally" by the temp agency.

"The major impetus in the expansion of temporary work," Parker rightly concludes, "is the growing corporate demand for a flexible workforce." Since the 1980's, Parker reminds us, employers, in alliance with the state, have "attempted to make nonworking alternatives to contingent jobs unbearable, to make workers desperate and anxious enough to take any job, regardless of pay or workplace conditions." Union-busting and its corollary, the attack on the social safety net, have reduced workers' choices and made them available for contingent work. In turn, contingent workers are very hard to organize, thereby reducing the proportion of unionized workers, and the strength of unions. Meanwhile, the need to cut costs in the context of domestic and international competition has provided the stimulus for using large numbers of contingent workers and for doing so on a long-term basis.

It is difficult to envision organizing contingent workers. Nevertheless some subcontractors, for example the Service Employees International Union's Janitors for Justice and some temps, like college teaching assistants and adjuncts, have been unionized. There appears little alternative but to try, if the miserable conditions of temp life are to be ameliorated and, equally important, if temps are not to be used as a scare weapon against the rest of labor.

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CRISIS, ECONOMY, AND ENVIRONMENT

by JOHN LIE

John Bellamy Foster, *The Vulnerable Planet*. A Cornerstone Book. New York: Monthly Review, 1994, 160 pp. $10.00.

John Bellamy Foster's *The Vulnerable Planet* is a tour de force through one of the most urgent crises facing humanity today: the environmental destruction that threatens the entire world. The author is supremely qualified to explicate the current environmental crisis. Not only is he a well-known political economist (the author of *The Theory of Monopoly Capitalism* and a frequent contributor to this journal), but he serves as an editorial board member of one of the liveliest ecology journals in the world, *Capitalism, Nature, Socialism* (published by Guilford Press). For readers seeking a short but reliable guide through the thicket of environmental facts and debates, or for educators looking for an accessible but accurate and thought-provoking text, I cannot recommend *The Vulnerable Planet* highly enough.

By now, few can doubt the seriousness of the environmental crisis. Vice-President Al Gore has written a book on the topic; even former President George Bush claimed to be deeply concerned about the environment. In spite of the nearly universal acknowledgment of the problem, most solutions remain facile. Many concerned citizens argue and act as if concluding international agreements or making more proclamations, recycling, and using earth-friendly products, or practicing self-vigilance and restraint constitute a fundamental solution to the current environmental crisis.

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In identifying the fundamental sources of environmental destruction and the legacy of environmental movements and ideas, John Foster helps us to see the shortcomings of the three common strategies pursued by environmentalists today in the United States. First, he is critical of establishment environmentalists. Tracing their ideology to the turn-of-the-century conservationist movement, Foster is skeptical about conservationists who see nature as a repository of resources to be used efficiently. Second, he is equally critical of the "no-growth" strategy of Deep Ecologists and others, who would repudiate growth and technology altogether. Foster correctly points out that the problem lies in the current pattern of growth, rather than growth itself. Finally, the author is also critical of sustainable development strategy championed by the Brundtland Commission and the World Watch Institute. They are silent on the question of the underlying social system; as Foster writes, "An effective environmental movement ... can only develop if root problems of production, distribution, technology, and growth are dealt with on a global scale."

The superficiality of conventional solutions stems from a widespread misdiagnosis of the crisis. The current crisis requires not simply better treaties, technologies, or individual actions, but measures that would implicate the global economy. John Foster's trenchant formulation cuts to the heart of the problem:

> The crisis of the earth is not a crisis of nature but a crisis of society. The chief causes of the environmental destruction that faces us today are ... social and historical, rooted in the productive relations, technological imperatives, and historically conditioned demographic trends that characterize the dominant social system. (p. 12)

Rather than locating the problem in the misapplication of technology or in a fundamental flaw in human nature, Foster directs us to the capitalist world economy and the prevailing social relations and institutions. In so doing, he alerts us not only to the significance of the economic system, but to global social forces such as colonialism, racial and ethnic relations, and so on that are intimately implicated in the worldwide ecological devastation.

According to Foster, the extensive and intensive developments of the capitalist world economy has upset the age-old patterns of balance between humanity and nature. Nature has been reduced to resources and commodities to be used and sold. In his thumbnail sketch of recent history, Foster demonstrates again and again the deleterious consequences of capitalist industrialization. Yet he is equally critical of the institutions and policies of former state social-

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ist societies that contributed to ecocide. Furthermore, his book is salutary in the ample attention it pays to the underdeveloped world. For example, Foster provides a superb discussion of the transformation of agriculture from its natural complexity (and diversity of crops) to the simplicity of commodified agriculture. The pressure of producing for the world market renders many Third World agricultures vulnerable not only to the fluctuations of the global economy, but to environmentally destructive farming techniques as well.

In addition to the "short economic history" promised in the subtitle and well delineated in the book, readers of *The Vulnerable Planet* will benefit from Foster's helpful survey of environmental movements and thought, especially in the United States. From pioneering and well-known ecologists such as Aldo Leopold and John Muir to the interesting but unknown socialist preservationist Robert Marshall, Foster's intellectual history introduces key environmental activists and ideas.

In *The Vulnerable Planet*, John Bellamy Foster has fulfilled his responsibility as a self-identified "public intellectual." Not only is the book clear, concise, and cogent, but it is accessible to the larger public. I can only hope that *The Vulnerable Planet*, written with verve and passion, will find the audience that it so deserves.

The economic backbone of America is slavery. When you're making a billion dollars off these Africans, some brainiac National Accountant is going to walk up to you and say, "Mr. President, you're making a billion dollars off these Africans, what would happen if you enslaved the white people too? How much more could we get?" Because remember, it's not it's not about race, it's not about color, it's about money, it's about economics, any man can be a slave.... The answer lies in what the economic system is going to do with us now.... The system is called "capitalism." This is the system which we are under. Capitalism is a nice way of saying we are all slaves.... Capitalism is a "pimp" and a "hoe" system. It is a system of pimps and hoes. You're either selling, or you're being sold. And if you can buy that means you were selling although you were being sold.—Rap artist KRS-ONE from a speech he delivered at Temple University in 1991.

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CAPITALISM IS CHURCH UNIVERSAL

by JAMES DEVINE

Faith and Credit: The World Bank's Secular Empire by Susan George and Fabrizio Sabelli. Boulder, CO: Westview Press. 1994. 282 pages. $15.95

In recent years, the International Bank for Reconstruction and Development, and related institutions, in short the World Bank, has provoked an intensifying chorus of criticism from leftists and nationalists. Among many others, Cheryl Payer's *The World Bank: A Critical Analysis* (Monthly Review, 1982) and Susan George's *A Fate Worse then Debt* (Grove, 1987) paved the intellectual way for movements such as the "Fifty Years is Enough" campaign. This grouping calls for increased accountability and democratic control of the World Bank and the other Bretton Woods institution, the International Monetary Fund. If attained, this control would signal the abolition of the Bretton Woods institutions "as we know them." The book under review, co-authored by Susan George and anthropologist Fabrizio Sabelli, goes beyond such criticism to pose the question: what *is* the World Bank, anyway?

The authors aim to provide an objective study of the Bank (the book "is not intended to disparage" the World Bank), even while remaining critical of its power and glory. Where possible, for example, conservative or insider critics of the World Bank are quoted rather than "the usual suspects" on the left. This "objective" stance even tries to allow for the World Bank's possible benevolence and future reformability—but George and Sabelli typically precede such allowances with a discussion that almost entirely rules out the

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possibility of good intentions or corrections in the absence of a massive popular movement counteracting the Bank's normal tendencies. Despite its efforts at objectivity, I doubt that this book will be well received by the object of its analysis.

In strange contrast to the main text's efforts at impartiality, there are four humorous "interludes." This produces a book that is quite pleasant to read and informative, that is, a useful primer that is accessible to non-economists.

What, then, is the World Bank? It is not simply a puppet of the "North," the advanced capitalist countries though the richest of those countries do have tremendous influence on its policies. It is not really a bank of the capitalist sort, since it garners high profits with almost no risk while aiming to make as many loans as possible. George and Sabelli's concluding chapter summarizes their study: it is an instrument for integrating the entire world by means of the market. Furthermore, it is an ideological guide which pushes the gospel of *laissez-faire*, although it never leaves people and society alone as such a slogan might imply. Instead, it pushes market integration onto people by any means necessary, especially through Structural Adjustment Programs. Thus, the World Bank pushes the gospel that all the world's goods should and must be valued according to world prices ("getting prices right"). In Thatcherite lingo, the Bank believes that There Is No Alternative (TINA) to capitalism and that the market must rule. As suggested by the book's title, its main message is that the World Bank is a powerful religious institution. One might say that what the Roman Catholic Church was to Western European feudalism, the Bank is to emerging global capitalism.

To support these conclusions, George and Sabelli present a useful summary of the Bank's history, linked to biographies of its founder, John Maynard Keynes, and to the creator of the modern activist incarnation of the World Bank, former U.S. Defense Secretary Robert S. McNamara; a sketch of the Bank's disastrous inability to forecast the future, including the 1980s debt crisis, which it helped to create; a description of the Bank's internal organization and arrogance toward outsiders; its leaders' quasi-religious mode of self-justification; its conflicts with environmentalists and other opponents; its efforts to shore up its public-relations image; and its increasing tendency to govern countries' economic policies and political organization. Most interesting to me were the discussions of the Reaganite reorganization in 1987 that imposed ideological uniformity, and of the arrogant and almost criminal views of World Bank luminaries toward the environment and peoples' living standards. The latter are exemplified by the famous memo by Lawrence

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Summers, who is now President Clinton's Treasury Undersecretary, in which he argued that much of the Third World is "insufficiently polluted." George and Sabelli argue that such attitudes are quite common in the Bank.

These authors are not totally convinced by their own religious metaphor for the World Bank. They toy with the notion that it might closely resemble Leninist party. More seriously, they see it as a part of an emerging world government, although the Bank's job of loan-pushing means that it would have to change to fit this role. Reading between the lines, one might see it as a central institution of global primitive accumulation, creating the social conditions for the expansion of capitalist relations of production.

This reference to Marxian concepts brings up my main complaint about the book. Focussing on the Bank itself, the book plays down the context in which it lives and thrives. There is no discussion of how the Bank works with the IMF. There is no description or theory of how the world economy works and how the World Bank fits into that system. There are descriptions of the Bank's connection with the OECD and somewhat vague references to its alliances with Third World elites. But these are not enough, since there is much more to the laws of motion of capitalism than that. Cheryl Payer presented a more Marxian vision that can help here:

> The World Bank is perhaps the most important instrument of the developed capitalist countries for prying state control of its Third World member countries out of the hands of nationalists and socialists who would regulate international capital's inroads, and turning that power to the service of international capital.

This quote is generally consistent with George and Sabelli's views, though it needs a bit more emphasis on the World Bank's relative autonomy from the OECD and international capital, and an update to include the former Soviet bloc. In fact, in a stretch, one could even read this view into George and Sabelli's book. So in the end, we can see the Marxian vision and the vision presented by this book as complementary rather than contradictory.

Still, I looked in vain for an effort to distinguish right-wing from left-wing criticisms of the Bretton Woods institutions as a guide to political action. Clearly the recent Republican isolationist attacks on the World Bank are distinct from what the left or third-world nationalists want. I also wanted some discussion of whether it is pointless to try to reform the World Bank rather than simply to abolish it. Though George and Sabelli do not give us answers to these questions, their book will help us attain them.

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THE DOWNING STREET YEARS

by JOHN NEWSINGER

The Downing Street Years by Margaret Thatcher. London, Harper Collins 1995. 914pp. £7.99.

To read Thatcher's memoirs is to enter into a version of Alice's Wonderland looked at from the point of view of the Red Queen. What we encounter is a fantasy of national recovery: the restoration of social order, the creation of prosperity, and the reclamation of greatness. It is a triumphal tale with all manner of foes overcome, dragons slain, and difficulties mastered, as our warlike heroine not only reshapes Britannia, but apparently much of the rest of the world. And, of course, at the end, tragedy, as she is betrayed, dragged down by those lesser mortals she had herself raised up.

All her occasional expressions of sympathy (for the unemployed, for the victims of IRA bombs) throughout over eight hundred pages of text are ersatz, empty conventionalities, compared with how sorry she was to feel for herself. At the end of it all, she is cast aside, left to devote her remaining years to personal enrichment, while all her achievements are squandered by the sadly misnamed John Major.

What is really astonishing is that a middle-ranking power in apparently irreversible decline should have been governed for eleven years by someone with such delusions. Thatcher gives megalomania a bad name. Even the title of her overblown memoirs, *The Downing Street Years,* is intended to summon up Churchillian shades

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and to establish a mythical connection with a former glory when Britain still counted for something in the world.

Nevertheless, this volume is not just of psychological interest. It deserves interrogation both for what it reveals and for what it seeks to hide about Thatcher and her government, for what it admits and for what it denies. The book offers additional evidence that will help in understanding the malign years of Conservative rule and the peculiar mentality of those who were in control. And, of course, it is vitally important to challenge this epic account of a government that Thatcher and her admirers, and it must be said some of her critics on the left, have together manufactured.

When Thatcher took office in 1979, socialism was, according to her fevered imagination, in the ascendant both in Britain and abroad.

At home, a Marxist-dominated Labour Party and trade union movement apparently threatened the nation's freedom and survival, while abroad Soviet Communism was relentlessly expanding its influence. The problem was that the forces of light lacked conviction, confidence, and leadership. The Tory party under Edward Heath's leadership had effectively surrendered to socialism, while internationally both Britain and the United States were gripped by the "Suez syndrome" and the "Vietnam syndrome" respectively. Thatcher had an inner conviction that she was the person to stop and reverse the retreat, that, in Churchill's phrase, she walked with destiny.

On the home front, breaking the power of the trade unions, and in particular that of the National Union of Mineworkers (NUM), was to be crucial. The way to achieve this was by a combination of mass unemployment, antitrade union laws, and carefully stage-managed confrontation. Whereas the Conservative moderates, or "wets," were worried about the effect of recession on Britain's manufacturing base and on the social fabric, Thatcher and her allies considered the situation so desperate as to justify hitherto unthinkable measures. The coal industry was singled out as symbolizing "everything that was wrong with Britain", indeed she actually describes it in her memoirs as little more than "a system of outdoor relief." It was here that the decisive battle was to be fought.

The defeat of the 1984-85 miners' strike, of "Mr Scargill's Insurrection" as she describes it, was, without any doubt the great domestic victory of the Thatcher government. Her own account makes quite clear that this was a close-run confrontation, with victory by no means certain. She identifies a number of points where the tide could have been turned decisively against the government, but

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in the end the miners were successfully isolated. Crucial throughout was the role of the Nottinghamshire miners who scabbed on the strike and continued working. Without their help, she concedes, the government would probably have been defeated. At the Lord Mayor's Banquet in November 1984 she fulsomely praised the working miners to the assembled millionaires: their "courage and loyalty ... will never be forgotten." She reminds her readers of this commitment. The defeat of the strike has, of course, since been followed by the willful destruction of the British coal industry, an unprecedented act of industrial vandalism that almost defies belief. In this context, it needs saying as regularly and loudly as possible that if the Nottinghamshire miners had not scabbed, they would still have jobs. Their betrayal by the Tories they served so well has been comprehensive and total, a salutary demonstration of the emptiness of the scab's reward.

Nevertheless, despite unemployment rising to well over three million, the government signally failed to hold down, let alone cut the wages of the majority of those in full-time employment. This was the price of electoral survival, this was the material basis for her much vaunted "hegemony" so beloved of the academic left. Moreover, despite the defeats that were inflicted on printworkers, miners, dockers, and others, Britain still remained, in Thatcher's words, "overunionized" with far more people remaining members of trade unions "than our main competitors."

While Thatcher still boasts of having presided over a British economic renaissance, this claim is now so widely discredited as to need only brief mention. The rate of economic growth under her government averaged only 1.8 percent per annum between 1979 and 1990, whereas under Prime Ministers Heath, Wilson, and Callaghan between 1970 and 1979 it had averaged 2.4 percent. Considering that Thatcher's government had the proceeds of North Sea oil, its economic stewardship was a complete disaster. Why then did she become the idol of the rich and powerful? The reason is the great, indeed crowning, achievement of her years in office, about which both she and her accomplices have maintained uncharacteristic silence. She presided over a historic redistribution of wealth to the rich, a transfer that dramatically increased the number of millionaires in Britain. This was accomplished by tax cuts, deregulation, and, most important of all, by privatization, a historic pillage of the state whose only real precedent is the sixteenth-century dissolution of the monasteries. While economic performance might have been mediocre, the capitalist class was nevertheless substantially enriched during the Thatcher period.

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The other side of this unacknowledged success is, of course, increased poverty, both in terms of the numbers of poor and their falling living standards. Thatcher's personal vendetta against these people is another area where silence generally prevails, although there are a number of occasions when she finds it impossible to keep quiet, to hold herself in check. The increasing numbers of the homeless and the roofless are one of the great indictments of her government, with young unemployed and homeless street beggars coming to symbolize her Britain. She cannot help putting the record straight. She complains of crowds "of drunken, dirty, often abusive and sometimes violent men" who are turning "central areas of the capital into no-go zones." The police must disperse these people. Far from those sleeping rough in London being the "victims of middle-class society," it is middle-class society that is their "victim." Thatcher's hatred is absolutely authentic. Moreover, when she attempted, by means of the regressive poll tax, to drag the poor, "the underclass if you will," into "the ranks of responsible society," they rioted on the streets, helped precipitate her own downfall, and inflicted a serious defeat on the government. She describes the eventual abandonment of the poll tax as "one of the greatest victories for these people ever conceded by a Conservative government."

What of international affairs? Two features stand out: first, Britain's continued weakness when acting independently, and second, Thatcher's eager embrace of the role of Ronald Reagan's sidekick, Tonto to his Lone Ranger. The victory in the Falklands war effectively disguised this, giving for a short while at least the appearance that Britain was once again a great power. The reality was very different.

British weakness was displayed early on when Thatcher was forced to acquiesce in the downfall of the Ian Smith regime and the coming to power of Robert Mugabe in Zimbabwe. She makes absolutely clear that she only conceded to the realities of the situation—that Mugabe's forces had won the guerrilla war—with the greatest reluctance and utmost distaste. With regard to Northern Ireland, her own instincts were to endorse wholeheartedly the Union and repress the Catholic community. She had her way over the 1981 hunger strikes, only to see a dramatic increase in support for the IRA and its political wing, Sinn Fein. This forced her into a reluctant acceptance of the 1985 Anglo-Irish Agreement that prepared the way for the current ceasefire. It successfully alienated the Unionists and never received her full support—indeed, early in 1988 she insisted that a security review consider the advisability of banning

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Sinn Fein and stepping up the war. In her memoirs, she goes on to quite catagorically repudiate the agreement.

One of the most telling instances of her diplomatic sensitivity occurred in the midst of discussions with the Irish prime minster, Charles Haughey. She complained about the "flow of Irish immigrants to the UK who were a significant burden on the welfare system."

Over Hong Kong, her initial feeling was to refuse to hand the colony back to China. She was persuaded that Britain was no longer powerful enough to behave in this way. The days of the Opium Wars were long gone. There can be little doubt that if Britain had still been a world power in the 1980s, Thatcher would have inevitably succeeded in embroiling the country in any number of wars. As it was she had to be satisfied with the Falklands.

The Falklands war, according to Thatcher, was of crucial importance because it finally ended the Suez syndrome and restored both "Britain's self-confidence" and "our standing in the world." After the defeat of the Argentineans, "Britain's name meant something more than it had." Moreover, the war had considerable domestic benefits, ensuring a decisive Conservative victory in the 1983 general election: "the so-called 'Falklands factor' beloved of political commentators and psephologists was real enough. I could feel the impact of victory wherever I went." The harsh reality was, however, that British victory was dependent on U.S. support and, far from opening up the way for any independent exercise of British power, it merely continued British subordination to the United States. Thatcher was to carry this to greater lengths than any previous British prime minister while all the time proclaiming her subordination a partnership. She did not so much sacrifice British interests to the United States as adopt U.S. interests as if they were Britain's. This embrace of the Stars and Stripes was not without difficulties, owing to Ronald Reagan's incompetence, but it was the defining characteristic of a foreign policy that was nevertheless celebrated with strident nationalist rhetoric. The extent to which Thatcher's social and economic policies were modelled on the United States, which many Thatcherites still seem to regard as a capitalist utopia, is as yet a largely unexplored but surely fruitful area of inquiry.

Chapter 17 of her memoirs is entitled "Putting the World to Rights." The innocent reader's initial response is to regard this as a bit of self-mockery, as a joke at her own expense to show that she is, after all, human and has a sense of humor. Not at all. She means every word. A substantial part of the book is spent recounting her crucial role in the downfall of the Soviet Union and liberation of

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Eastern Europe, in the achievement of Namibian independence and, of course, the successful reform of South Africa. Her delusions are monumental. She describes, quite without embarrassment, how she advised foreign governments on how to conduct their domestic affairs, pointing to her successful transformation of Britain to establish her bona fides. Some countries she found impressive success stories already, most notably Indonesia, which might have been guilty of some "serious human rights abuses" but nevertheless was a society that "worked." The genocidal war waged in East Timor is, of course, something more than a human rights abuse, even a serious one, but she probably felt able to overlook this in view of Indonesia's willingness to buy British arms and military equipment. There does indeed seem to be a connection between those countries she praises and their placing of orders with the British arms industry. The one profound silence is, of course, with regard to Iraq, because although she took a very personal interest in the fortunes of the British arms industry, she apparently knew nothing whatsoever about covert exports to that country.

So much then for Thatcher's memoirs: a fantasy history of Britain reborn, where economic failure is trumpeted as unprecedented success, where the most complete subordination to the United States is celebrated as national triumph, where class war and cold war are the dominant motifs. Of course, since her downfall the fraudulent nature of her so-called triumphs has been exposed through the incompetence of her successor. Instead of a national success story, her eleven years in power are increasingly recognized as a time when the rich got richer while the poor dramatically increased in numbers, when standards in public life plummeted and sleaze, dishonesty, and corruption became the norm, as a time when Britain's decline, far from being reversed, gathered pace.

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(Continued from inside front cover)

But who is going to do the stopping? So far, those who have made an effort in that direction—notably the NATO allies and the United Nations—have miserably failed. It might even be argued that far from solving the problem, they have even succeeded in becoming part of it. Are there other possibilities? Here, it seems to us, there is an urgent need for fresh thinking. We would like to offer as a starting point a powerful passage from the concluding chapter of a book very recently published by Monthly Review Press, *Yugoslavia Dismembered* by Catherine Samary:

"Whatever temporary political agreements may be reached, challenges to the oppressive and exclusionary policies of the governments in power must come essentially from their own *civil societies.* Forces exist and will continue to exist within civil society that are capable of resisting regressive policies and rulers. By contrast, those who base their hopes on foreign military intervention, or believe that progressive solutions to the Yugoslav crisis will come from the Western governments, are "waiting for Godot": waiting for something that will never come or will not be enough to solve the problems.

"People *are* resisting the processes of national homogenization that are preventing pluralist democracy from functioning. There are independent media and civil movements that are fighting against chauvinism: antinationalistic women's movements; independent trade unions; antiwar centers; organizations defending individual and collective rights. They may seem too laughably weak to support, given the scale of the war's horrors. Solidarity with them may do nothing to alleviate the sense of helplessness that drives many to seek escape in warmongering speeches. But support for independent forces is a precondition for the development of real alternative peace plans.

"There is another Croatia, another Serbia, another Bosnia-Herzegovina that are resisting, though they are stifled. They must be enabled to express themselves. The international negotiators do not allow their voices to be heard, so the citizens' movements, in solidarity against policies of ethnic cleansing, must broadcast their own voices. They must keep alive a pluralistic spectrum of projects that prepare for the future. They must amplify the voices of the voiceless, those who want to live together and are not represented in the negotiations: the Serb Consultative Councils of Bosnia who deny Karadzic's right to speak in their name; Sarajevo's "Circle 99," whose petition against their city's partition had been signed at the beginning of 1995 by more than two-thirds of Sarajevans.

"But we must be clear. As long as the opposition to the reactionary policies now in force remains divided, without a coherent alternative program capable of mobilizing the region's peoples, no fundamental challenge will be possible to the current dynamic of negotiations with the powers that be."

We cannot attempt here to develop the implications of this perspective. But at the very least it would seem obvious that the time is ripe for the emergence of a powerful international movement in solidarity with, and in support of, all the peoples of the former Yugoslavia who want a peaceful and democratic solution to the present crisis.

(Continued on page 46)

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A NACLA READER

EDITED BY FRED ROSEN & DEIDRE McFADYEN
Foreword by Rubén Zamora

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